FINANCE REPORT FOR ET DISCUSSION

July 2015

FINANCIAL OVERVIEW & KEY RISK AREAS

DP Income

Year to date actual income is £5.756M which is within 0% of budget year to date for July. Given that we are so close to forecasted budget year to date, the full year forecast of £18M is deemed appropriate to remain as the full year forecast in quarter 2.

Cash Underspend

Underspend continues to be a risk. At this stage, it is difficult to assess if this is a true underspend or due to the timing of expenditure, however if we continued to spend at this rate, a material underspend is a key business risk.

We will continue to diminish this risk by:

- Review of income forecasts each month for accuracy/ prudence
- Fee income strategic work around how we set our fee levels
- Isolate key spend areas or projects that could be accelerated or put on hold for a quick turnaround if our environment changed with little notice
- Balance sheet reporting and cash flow reports are being developed and will be available once the purchase management system has been installed – expected to be in place by late 2015.

Staff Recruitment

Staff costs pose a significant risk to the business if recruitment cannot keep up with budgeted staff levels.
Due to the concerted recruitment efforts, it is encouraging to see staff costs within 19k of budget by the end of period 4. September will be a key month for reporting as there are a high number of vacancies expected to be filled in this month.

Due to the decision by HM Treasury that specific approval should have been sought for the Deputy Commissioner salary increases, an administrational fine of £18,400 has been imposed and will be recognised within this financial year. Retrospective approval was given and a briefing note included in the 2014/15 annual report.

Capital Spend

Our 'allocated' capital budget has now been informally confirmed as £850k (formal approval to follow at Budget Version 2) which is a very positive outcome following a month of uncertainty. Although this is a real achievement, we have been assured that this is unlikely to be available in coming years. As such, we need to start planning how we can negotiate

with the MOJ on this issue or else what kind of business model we can realistically operate with a minimal capital budget.

Budget Version 2
We are now reporting internally against Budget Version 2, reporting to the MOJ continues to be against BV1 until formal approval has been given, which is usually towards the end of the quarter.

Budget Review Update
Budget reviews appear to be well received and more and more engagement is seen from budget holders as they get to grips with their monthly reports and how best to interpret the information.

Purchase Management System
Initial planning work has started on the purchase management system; work is expected to start later this month. Final delivery on the project may be delayed slightly subject to third party resource availability however this is considered to be a minimal risk to the business and financial output.

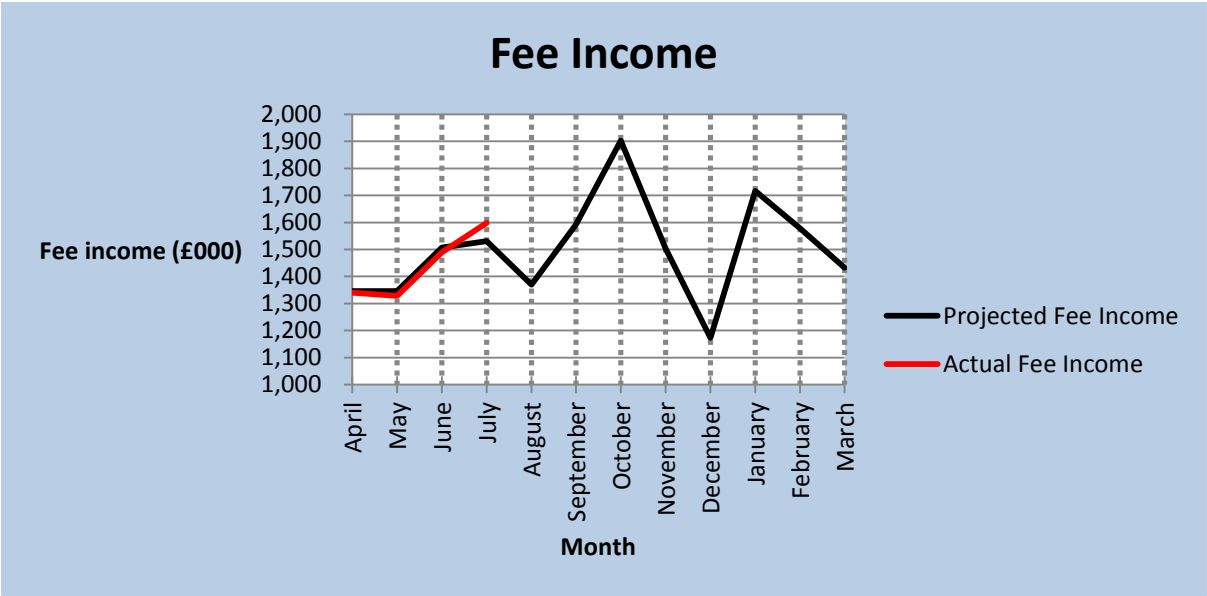
INCOME

Grant-in-aid for freedom of information activities

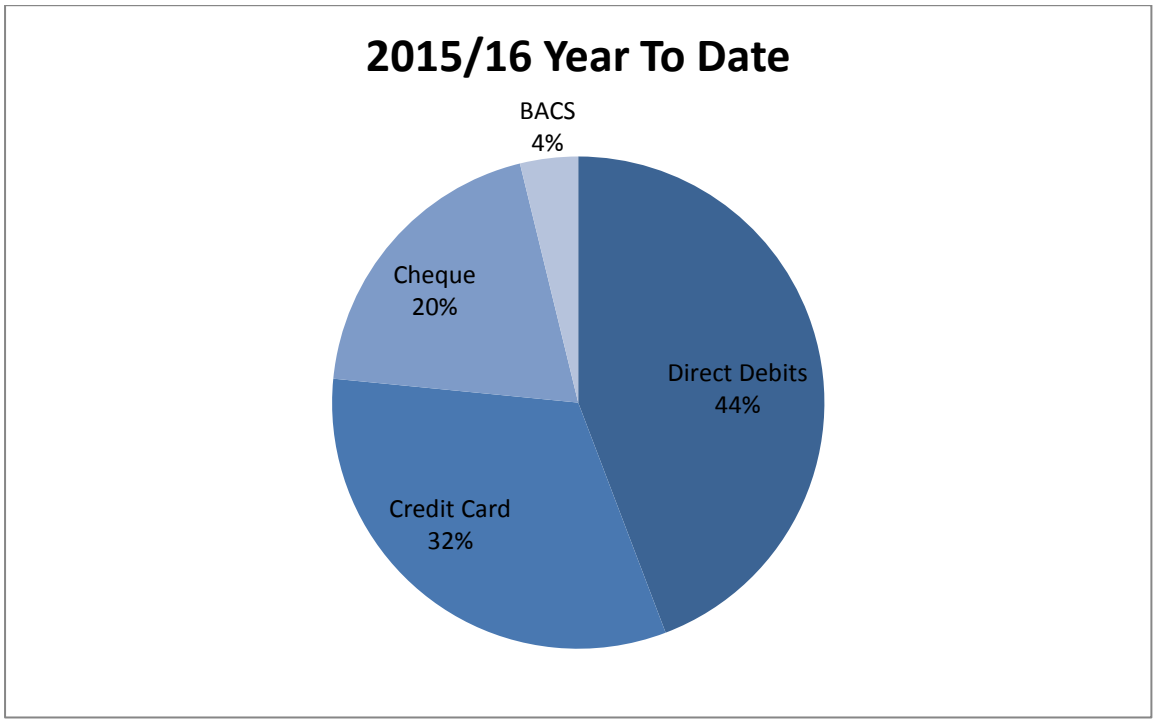
The grant-in-aid available for drawdown over 2015-16 has been confirmed at £3.7M, the first and second tranches of £938k and £921k respectively have been drawn, two further drawdowns are expected in October and January of £921k each.

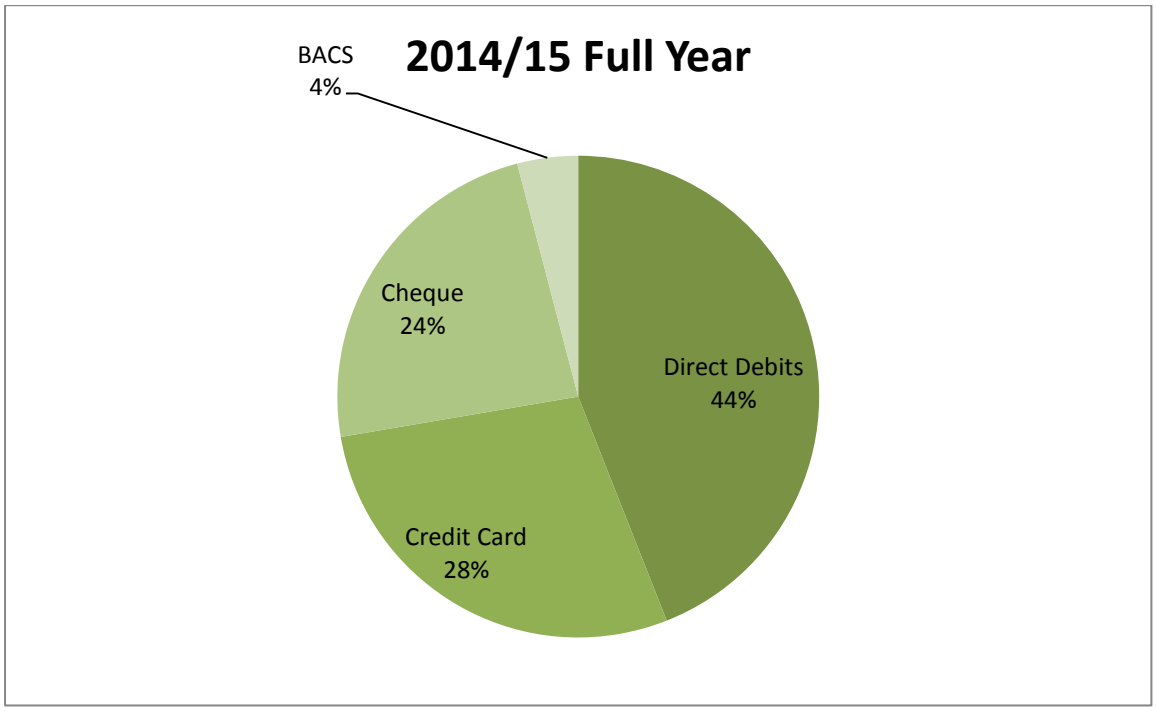
Data Protection fees processed

The chart below shows the actuals vs our current budget for the year 2015/16.



The year to date fee payment method split is shown below, showing a definite trend towards credit card payments (↑ 4%) and away from cheques (↓ 4%) from the average over 2014/15. Direct Debits and BACS payments remain consistent to 2014/15.





EXPENDITURE

Spending controls

The ICO is complying with the Cabinet Office Spending Controls Guidance v 4.0

https://www.gov.uk/government/publications/cabinet-office-controls/cabinet-office-controls-guidance-version-40

We are also required to obtain specific MOJ approval for any IT or communications spend over £50k for individual projects. We will only be required to report spend over £50k not included in the original budget. No such spend is known to have occurred to date.

Total office costs

There are quite a few categories within office costs that are over or under budget, as this is the first year we have separated out all of the distinct categories, the budget needs further work to make sure that each category is sufficiently resourced. Overall the budget is within 2% and not considered to be a risk of material over or underspend. This is being monitored closely.

Total staff FTE report and costs

Staff costs have come in £19k (1%) above forecasts for July. This is testament to the large scale recruitment drive across the business mitigating the risk of under-resourcing. From the FTE compliment report (at the bottom of management report); there are 16.2 vacancies at present, which considering the financial position is likely to be due to a timing difference between when reports are completed – this can be slightly skewed by the timings of starters and leavers. There are a further 30 vacancies budgeted to be starting in September so that will be a key month for monitoring any risk of being under compliment and budget.

Training and Recruitment

Recruitment is over budget by £15k, largely due to the costs of recruitment of a new deputy commissioner (c. £10k) and other recruitment drives. There are also some minor underspends amongst training, although expectation is that the overall spend will be to budget.

IT Costs – Service Delivery

IT spend overall is to budget (within 8%), there are some minor fluctuations against budget lines where the spend is determined by usage – printing usage and telephony, which is to be expected. Software

licensing was more than expected due to the renewal of two large licenses, Microsoft and Sprint.

Considering the major business impact of the IT incident in May, the actual realised costs (outside resource downtime) have been kept to a minimum and have been estimated at less than £15k. This additional cost has been included within App & Desktop Support.

IT Projects

There is a small underspend within IT projects of £82k (33%). This is due to the IT incident taking up all resources although it is not expected to have any long term impact on the annual budget spend.

Communications Spend

Due to the almost seasonal nature of the communications spend especially within Campaigns, Print & Conferences we expect to see a deviation to the profiled budget. This will continue to improve as the months move on and we can profile more accurately. At 9% within budget, no particular risk area has been identified with the communications spend.

Banking, finance & audit costs

Finance costs are as expected.

Staff travel

Overseas travel is higher than expected across the executive, policy delivery and enforcement teams; however this is expected to decrease over the summer months where travel costs are historically reduced. Overall travel budget is within 1% variance.

Legal, professional & other

Legal is expected to spend to budget but can fluctuate according to case load.

Other costs relating to library and subscriptions tend to be front loaded hence the immaterial overspends across each category. This is not considered to be of risk.

The additional amount of £12k spent on professional services is largely down to much higher forensic activity than usual within enforcement.

CAPITAL EXPENDITURE

There is c. £40k of capital spend to date on the Data Storage Solution.

Civil Monetary Penalties

The current debtor of CMPs owed to the ICO as at 30 June 2015 is £60,000.

B/f 2014-15	*142,500*
Issued penalties gross	160,000
Issued penalty increase post appeal	-
Issued prompt payment discount	(32,000)
Net	**270,500**
Paid	(139,250)
Impaired	(75,000)
Balance	**56,250**

Simon Entwisle, Deputy Chief Executive Officer
July 2015

MANAGEMENT REPORT

For the Four Months Ending 31 July 2015

	Year To Date				Full Year			
	BV2 JULY 15 (£)	Actual	Variance	Var %	BV2 JULY 15 (£)	Forecast (£)	Variance	Var %
GRANT IN AID	1,858,333	1,858,334	(1)	0%	3,681,600	1,858,334	1,823,266	50%
DP FEE INCOME	5,730,888	5,756,495	(25,607)	0%	18,000,000	5,756,495	12,243,505	68%
DRIPA INCOME	165,000	165,000	0	0%	330,000	165,000	165,000	50%
TRAVEL INCOME - UK	0	1,707	(1,707)	0%	0	1,707	(1,707)	0%
TRAVEL INCOME - OVERSEAS	0	3,495	(3,495)	0%	0	3,495	(3,495)	0%
LEGAL COSTS RECOVERED	0	774	(774)	0%	0	774	(774)	0%
CONFERENCE INCOME	0	3,361	(3,361)	0%	44,000	3,361	40,639	92%
SALARIES INCOME	0	10,462	(10,462)	0%	0	10,462	(10,462)	0%
PENSION INCOME	0	1,967	(1,967)	0%	0	1,967	(1,967)	0%
NATIONAL INSURANCE INCOME	0	878	(878)	0%	0	878	(878)	0%
TOTAL INCOME	**7,754,221**	**7,802,473**	**(48,252)**	**(1%)**	**22,055,600**	**7,802,473**	**14,253,127**	**65%**
Income Check	*(7,754,221)*	*(7,802,473)*	*48,252*	*(1%)*	*(22,055,600)*	*(7,802,473)*	*(14,253,127)*	*65%*
RENT	253,090	239,611	13,479	5%	759,270	239,611	519,659	68%
RATES	78,016	86,225	(8,208)	(11%)	234,049	86,225	147,824	63%
SERVICE CHARGES	8,667	12,015	(3,348)	(39%)	26,000	12,015	13,986	54%
CAR PARKING	46,792	42,212	4,580	10%	117,576	42,212	75,365	64%
HEAT & LIGHT	27,000	28,000	(1,000)	(4%)	89,100	28,000	61,100	69%
WATER	5,332	5,261	71	1%	16,000	5,261	10,739	67%
CLEANING	17,333	20,584	(3,251)	(19%)	52,000	20,584	31,416	60%
SECURITY	20,144	23,681	(3,537)	(18%)	48,432	23,681	24,751	51%
WASTE	1,352	2,084	(732)	(54%)	4,056	2,084	1,972	49%
STORAGE	4,624	7,691	(3,067)	(66%)	13,872	7,691	6,181	45%
REPAIRS & MAINTENANCE	64,861	61,329	3,532	5%	100,219	61,329	38,891	39%
MOTOR COSTS	668	75	593	89%	2,000	75	1,925	96%
KITCHEN	7,167	6,075	1,091	15%	21,500	6,075	15,425	72%
FURNITURE	7,824	2,162	5,662	72%	23,475	2,162	21,313	91%
GENERAL EQUIPMENT	11,668	4,940	6,728	58%	55,000	4,940	50,060	91%
STATIONERY	10,000	9,276	724	7%	30,000	9,276	20,724	69%
POSTAGE	20,282	24,033	(3,752)	(18%)	60,845	24,033	36,812	61%
DOCUMENT DESTRUCTION	3,332	1,724	1,608	48%	10,000	1,724	8,276	83%
TOTAL OFFICE COSTS	**588,152**	**576,977**	**11,175**	**2%**	**1,663,394**	**576,977**	**1,086,417**	**65%**
SALARIES	3,479,839	3,416,859	62,979	2%	11,145,921	3,416,859	7,729,062	69%
OVERTIME	26,667	29,081	(2,414)	(9%)	80,000	29,081	50,919	64%
PENSION	724,635	700,672	23,963	3%	2,320,151	700,672	1,619,478	70%
NATIONAL INSURANCE	243,589	246,639	(3,050)	(1%)	780,215	246,639	533,576	68%
AGENCY STAFF	0	98,795	(98,795)	0%	0	98,795	(98,795)	0%
NON EXEC BOARD MEMBER	16,833	18,546	(1,713)	(10%)	50,500	18,546	31,954	63%
TOTAL STAFF COSTS	**4,491,562**	**4,510,593**	**(19,030)**	**0%**	**14,376,787**	**4,510,593**	**9,866,194**	**69%**
RECRUITMENT	16,668	33,428	(16,760)	(101%)	50,000	33,428	16,572	33%
HEALTH & SAFETY	8,332	10,995	(2,663)	(32%)	25,000	10,995	14,005	56%
FURTHER EDUCATION	2,000	0	2,000	100%	6,000	0	6,000	100%

MANAGEMENT REPORT

For the Four Months Ending 31 July 2015

	Year To Date				Full Year			
	BV2 JULY 15 (£)	Actual	Variance	Var %	BV2 JULY 15 (£)	Forecast (£)	Variance	Var %
TRAINING COURSES	1,868	9,362	(7,494)	(401%)	30,104	9,362	20,742	69%
CONFERENCES	28,000	23,891	4,109	15%	84,000	23,891	60,109	72%
MANAGEMENT DEVELOPMENT	8,000	2,388	5,612	70%	24,000	2,388	21,612	90%
TOTAL TRAINING AND RECRUITMENT	**64,868**	**80,064**	**(15,196)**	**(23%)**	**219,104**	**80,064**	**139,040**	**63%**
HOSTING, WEB AND TELEPHONY	243,332	257,391	(14,059)	(6%)	719,997	257,391	462,606	64%
APP & DESKTOP SUPPORT	226,668	243,715	(17,047)	(8%)	680,000	243,715	436,285	64%
SOFTWARE LICENSING	95,000	119,176	(24,176)	(25%)	285,000	119,176	165,824	58%
SECURITY CONTRACT	0	0	0	0%	50,000	0	50,000	100%
NOTIFICATION PRINTING	51,668	66,759	(15,091)	(29%)	155,000	66,759	88,241	57%
MANAGED PRINT	14,076	9,351	4,725	34%	42,231	9,351	32,880	78%
HARDWARE MAINTENANCE	26,668	11,656	15,012	56%	80,000	11,656	68,344	85%
GOV SECURE INTERNET	43,320	44,606	(1,286)	(3%)	130,000	44,606	85,394	66%
TELEPHONY CALLS & BROADBAND	30,668	39,493	(8,825)	(29%)	92,000	39,493	52,507	57%
TOTAL IT COSTS	**731,400**	**792,147**	**(60,747)**	**(8%)**	**2,234,228**	**792,147**	**1,442,081**	**65%**
ICE CRM DEVELOPMENT	70,000	63,476	6,524	9%	250,000	63,476	186,524	75%
FINANCE SYSTEM	0	5,384	(5,384)	0%	0	5,384	(5,384)	0%
MOBILE WORKING SOLUTIONS	0	3,441	(3,441)	0%	0	3,441	(3,441)	0%
DOCUMENT STORAGE SOLUTION	20,000	0	20,000	100%	100,000	0	100,000	100%
DIGITAL DELIVERY	25,000	4,875	20,125	81%	250,000	4,875	245,125	98%
INFRASTRUCTURE	60,000	55,181	4,819	8%	300,000	55,181	244,819	82%
OTHER PROJECT WORK	75,000	35,851	39,149	52%	315,000	35,851	279,149	89%
TOTAL PROJECT SPEND (INC CAPITAL)	**250,000**	**168,208**	**81,792**	**33%**	**1,215,000**	**168,208**	**1,046,792**	**86%**
CAMPAIGNS, MEDIA RELATIONS & PR	15,000	1,517	13,483	90%	45,000	1,517	43,483	97%
MEDIA MONITORING	15,000	16,918	(1,918)	(13%)	45,000	16,918	28,082	62%
DESIGN & PRINT	18,332	35,394	(17,062)	(93%)	55,000	35,394	19,606	36%
DISTRIBUTION	13,332	6,659	6,673	50%	40,000	6,659	33,341	83%
SURVEYS	22,000	3,560	18,440	84%	66,000	3,560	62,440	95%
CONFERENCES	54,332	67,732	(13,400)	(25%)	104,000	67,732	36,268	35%
ICON DEVELOPMENT	8,000	1,325	6,675	83%	24,000	1,325	22,675	94%
STAFF EVENTS	12,000	14,041	(2,041)	(17%)	16,000	14,041	1,959	12%
WEB MAINTENANCE	10,000	5,233	4,767	48%	30,000	5,233	24,767	83%
TOTAL COMMUNICATIONS	**167,996**	**152,378**	**15,618**	**9%**	**425,000**	**152,378**	**272,622**	**64%**
BANK CHARGES	13,333	13,659	(326)	(2%)	40,000	13,659	26,341	66%
CARD PROCESSING CHARGES	24,000	24,234	(234)	(1%)	72,000	24,234	47,766	66%
EXTERNAL AUDIT	10,000	10,000	0	0%	30,000	10,000	20,000	67%
INTERNAL AUDIT	12,456	11,916	540	4%	37,368	11,916	25,452	68%
TOTAL FINANCIAL COSTS	**59,789**	**59,809**	**(20)**	**0%**	**179,368**	**59,809**	**119,559**	**67%**
TRAVEL UK	122,008	109,837	12,171	10%	398,000	109,837	288,163	72%
TRAVEL OVERSEAS	13,336	26,914	(13,578)	(102%)	40,000	26,914	13,086	33%

MANAGEMENT REPORT

For the Four Months Ending 31 July 2015

	Year To Date				Full Year			
	BV2 JULY 15 (£)	Actual	Variance	Var %	BV2 JULY 15 (£)	Forecast (£)	Variance	Var %
TOTAL TRAVEL	**135,344**	**136,751**	**(1,407)**	**(1%)**	**438,000**	**136,751**	**301,249**	**69%**
LEGAL	56,997	47,004	9,994	18%	300,000	47,004	252,996	84%
LIBRARY & SUBSCRIPTIONS	26,496	19,940	6,556	25%	79,500	19,940	59,560	75%
PROFESSIONAL SUBS	5,181	4,687	494	10%	13,544	4,687	8,857	65%
SUBSISTANCE	0	134	(134)	0%	0	134	(134)	0%
RESEARCH	10,000	12,256	(2,256)	(23%)	50,000	12,256	37,744	75%
PRIVACY SEALS	5,555	0	5,555	100%	50,000	0	50,000	100%
PROFESSIONAL SERVICES	58,664	70,379	(11,715)	(20%)	182,500	70,379	112,121	61%
OTHER	0	1,814	(1,814)	0%	0	1,814	(1,814)	0%
TOTAL LEGAL, PROFESSIONAL & OTHER	**162,894**	**156,214**	**6,679**	**4%**	**675,544**	**156,214**	**519,330**	**77%**
TOTAL COSTS	**6,652,005**	**6,633,141**	**18,865**	**0%**	**21,426,425**	**6,633,141**	**14,793,285**	**69%**
Cost check	*6,652,005*	*6,633,141*	*18,865*	*0%*	*21,426,425*	*6,633,141*	*14,793,285*	*69%*
SURPLUS	**1,102,216**	**1,169,332**	**(67,117)**	**(6%)**	**629,175**	**1,169,332**	**(540,157)**	**(86%)**

FTE Staff Analysis

Permanent Staff Band A	9.6	7.6	2.0	0.2	9.6	(2.0)	11.6	1.2
Permanent Staff Band B	27.7	24.9	2.8	0.1	34.7	2.2	32.5	0.9
Permanent Staff Band C	116.9	108.2	8.7	0.1	122.9	(2.3)	125.2	1.0
Permanent Staff Band D	84.9	77.5	7.4	0.1	90.9	(0.4)	91.2	1.0
Permanent Staff Band E	91.3	83.7	7.7	0.1	99.3	(2.1)	101.4	1.0
Permanent Staff Band F	39.4	44.0	(4.6)	(0.1)	42.4	4.6	37.8	0.9
Permanent Staff Band G	12.0	12.0	0.0	0.0	12.0	0.0	12.0	1.0
Permanent Staff Band H	3.0	3.0	0.0	0.0	3.0	0.0	3.0	1.0
Agency Staff Band B	0.0	3.0	(3.0)	0.0	0.0	(3.4)	3.4	0.0
Agency Staff Band C	0.0	2.8	(2.8)	0.0	0.0	(4.6)	4.6	0.0
Agency Staff Band D	0.0	2.0	(2.0)	0.0	0.0	(2.0)	2.0	0.0
Agency Staff Band E	0.0	0.0	0.0	0.0	0.0	(1.0)	1.0	0.0
Total FTE staff	**384.8**	**368.6**	**16.2**	**0.0**	**414.8**	**(11.0)**	**425.8**	**1.0**